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International Business in Northeast Ohio

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International Business in Northeast Ohio

Prepared for: The International Law Section of the Cleveland Bar Association

Prepared by: Patricia Cirillo, Ph.D., Jill S. Taylor, Ziona Austrian, Ph. D.

May 2007



Cleveland State University



Cypress Research Group

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Project Sponsors

Baker & Hostetler, LLP
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Cleveland Bar Assoc.- International Section
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Northeast Ohio Trade & Economic Consortium
Parker-Hannifin Corporation
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STERIS Corporation
Tucker, Ellis & West LLP
Walter & Haverfield, LLP

Project Overview

Goal: to gain a better understanding of international activity engaged in by businesses and law firms in Northeast Ohio

- Two-Part Study
 - Survey of Northeast Ohio Businesses
 - Survey of Northeast Ohio Law Firms
- Conducted for the Cleveland Bar Association, International Law Section
- A collaborative effort
 - Cleveland State University
 - Maxine Goodman Levin College of Urban Affairs and Nance School of Business Administration
 - Cypress Research Group

Executive Summary

Northeast Ohio International Business Survey

- **Companies responding to the survey (respondent firmographics):**
 - 40% are in manufacturing industries; 16% distribution, transportation & wholesale trade; 15% professional services
 - 41% have fewer than 50 employees; 66% have fewer than 100
 - 77% are corporations
 - 83% have been in business more than 15 years; 90% more than 10 years
- **Current international business activity:**
 - Approximately two-thirds of businesses surveyed have been engaged in at least some international business activity
 - More than half of respondents who have been engaged in international business have been doing so for more than 15 years
 - Exporting and importing goods and services was the most common type of international business activity that companies are engaged in
 - On average, companies participated in three different types of international business activities
 - On average, companies engaged in international business with five different countries
 - Canada and Mexico were the most common business partners, followed by China, UK, and Germany

Executive Summary

Northeast Ohio International Business Survey

- **Intended growth of international business activities:**
 - Nearly three-fourths (74%) of firms surveyed currently have a goal to increase their levels of international business
 - Companies were most likely to indicate a desire to increase importing and exporting activities (54% want to increase importing; 82% want to increase exporting)

Assets or strengths in NEO that facilitate international business:

(most common responses, in descending order of mention)

- Location
- Good transportation infrastructure
- Skilled labor force
- Good industrial base/good supply chain
- Good professional services
- Diverse population
- Low cost of living/doing business
- Access to capital/funding/finance

Support services currently receiving to assist in international business:

(most common responses, in descending order of mention)

- Shipping/logistics
- Legal support
- Banking
- Government support
- Sales reps/partners in other countries
- Accounting/finance
- Customs/import/export barriers
- Currency exchange
- Language translation
- HR assistance

Executive Summary

Northeast Ohio International Business Survey

Main barriers to successfully engaging in international business:

(open-ended responses; most common responses, in descending order of mention)

- Language/cultural differences
- Too costly (in time or money)
- Trade barriers/regulations
- No sales reps in other countries/lack of market presence/no distribution channel
- Shipping costs/logistics
- Currency fluctuations/banking intricacies

Factors that affect willingness to engage in international business:

(percentage agreeing that these factors have strong or moderately strong impact – reported “4” or ‘5” on a five-point scale)

- Lack of personnel (54%)
- Lack of knowledge about foreign markets (51%)
- Difficult to maintain quality control (49%)
- Cumbersome procedures (49%)
- Difficult to find qualified/reliable partners overseas (48%)
- Unfamiliarity with language/culture (45%)
- Lack of public sector assistance/incentive programs (44%)
- Lack of financial resources to support international activity (42%)
- Lack of understanding of where there is demand for products or services outside U.S. (42%)
- Local business support services lack expertise in international activities (38%)

Executive Summary

Northeast Ohio International Business Survey

- **Legal services' role in international business activities:**
 - 57% of respondents indicated that they require legal counsel to conduct international business activities
 - Of these respondents:
 - 30% use in-house counsel
 - 68% use outside attorneys based in Northeast Ohio
 - 34% use outside attorneys based in the U.S. but outside Northeast Ohio
 - 32% use outside attorneys based outside the U.S.
 - (many respondents reported using attorneys in multiple categories)
 - Firms spent a *median* of \$5,000 on outside counsel for international business issues (in their most recent fiscal year)
 - The *mean* spending on outside counsel was \$55,000 (several firms reported spending more than \$100,000)

Executive Summary

Economic Impact of International Business Activities

- ❖ Based on the survey of businesses in Northeast Ohio (discussed earlier) and projected to the universe of businesses in the region, it is estimated that international activities result in \$21.96 billion of net revenues coming into Northeast Ohio.

- ❖ Total economic impact of international business activities in Northeast Ohio (based on estimated net revenues) is:
 - Total Output Impact = \$23.1 billion
 - Total Income Impact = \$7.9 billion
 - Total employment impact = 133,528 jobs

Executive Summary

Survey of Northeast Ohio Law Firms

- **Characteristics of survey respondents:**

- 68% have 10 or fewer attorneys
- 20% have more than 100 attorneys
- 80% are engaged in international legal matters
- Wide range of responses regarding the number of Northeast Ohio law firms that are likely engaged in international legal matters on a regular basis

- **Client characteristics:**

- 70% of respondents represent individuals
- 60% represent companies with annual sales less than \$25 million
(50% of respondents represent clients in multiple categories – individuals and/or different sized companies)
- 60% represent clients who are manufacturers; 60% represent distributors/wholesalers; 30% represent retailers; 25% represent financial service providers; 25% represent other service providers; (60% of responding firms represent clients in multiple industries)
- 65% of firms represent both U.S. and foreign-based clients
- 90% of firms handle legal matters in a number of countries/geographic areas

Executive Summary

Survey of Northeast Ohio Law Firms

- **Future of international law in Northeast Ohio:**

- 84% of respondents do not feel that the involvement of U.S. accounting and consulting firms in international legal matters will affect firm business
- 78% believe that the international law practice in Northeast Ohio will increase; no respondents believe it will decrease
 - The primary reasons given all related to increased globalization

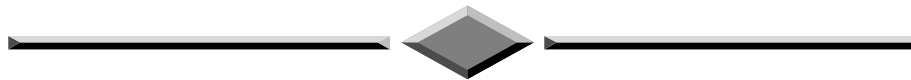
- **Significant developments that will affect the practice of international law in Northeast Ohio:**

- increasing globalization
- reduced market barriers
- expansion of markets in China and India
- shift of local jobs to foreign locations
- more multi-national firms doing business in the area
- immigration issues
- success of nonprofits, foundations, private equity investors and venture capitalists in convincing companies to locate in Northeast Ohio
- more contract disputes between U.S. and foreign companies and lack of clear international law to resolve them

Northeast Ohio International Business Survey

Summary Results

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Introduction

Background & Objectives

- This assessment of current levels of international business activity in Northeast Ohio was undertaken to help inform regional efforts that focus on initiating, supporting, and growing such activities. The methodology of the study is described on the following page, but the objectives of the study are to determine:
 - What types of international business activities are NE Ohio firms engaging in?
 - What types of international business activities do NE Ohio firms aim to increase?
 - With which countries are NE Ohio firms engaging in international business activities?
 - What are the barriers to NE Ohio firms conducting or increasing international business activities?

Introduction

Methods

Data Collection

- A paper-and-pencil survey of businesses (directed at the senior executive at each firm) was conducted in February 2007. The survey instrument used is included in the Appendix.
- Questionnaires were sent via first-class U.S. mail from Cleveland State University.
- A cover letter (also included in the Appendix) was included in the survey package describing the objectives of the study and the ultimate uses of the data.
- An initial set of questionnaires (5,000) were mailed the week of February 10, 2007. By February 28, 2007, a total of 416 completed surveys had been returned. A second wave of surveys were mailed the week of March 5, 2007 (900 more questionnaires); these were sent to bolster sample sizes in certain industry segments and resulted in another 104 responses, bringing the total to 520 completed questionnaires. Accounting for 140 returned mailings (due to incorrect addresses), this represents a total response of 9%. However, we found that the response rate differed tremendously between small companies (fewer than 50 employees) and large companies. The response rate was 6% for small companies, but much higher for larger companies (16%).

Sampling

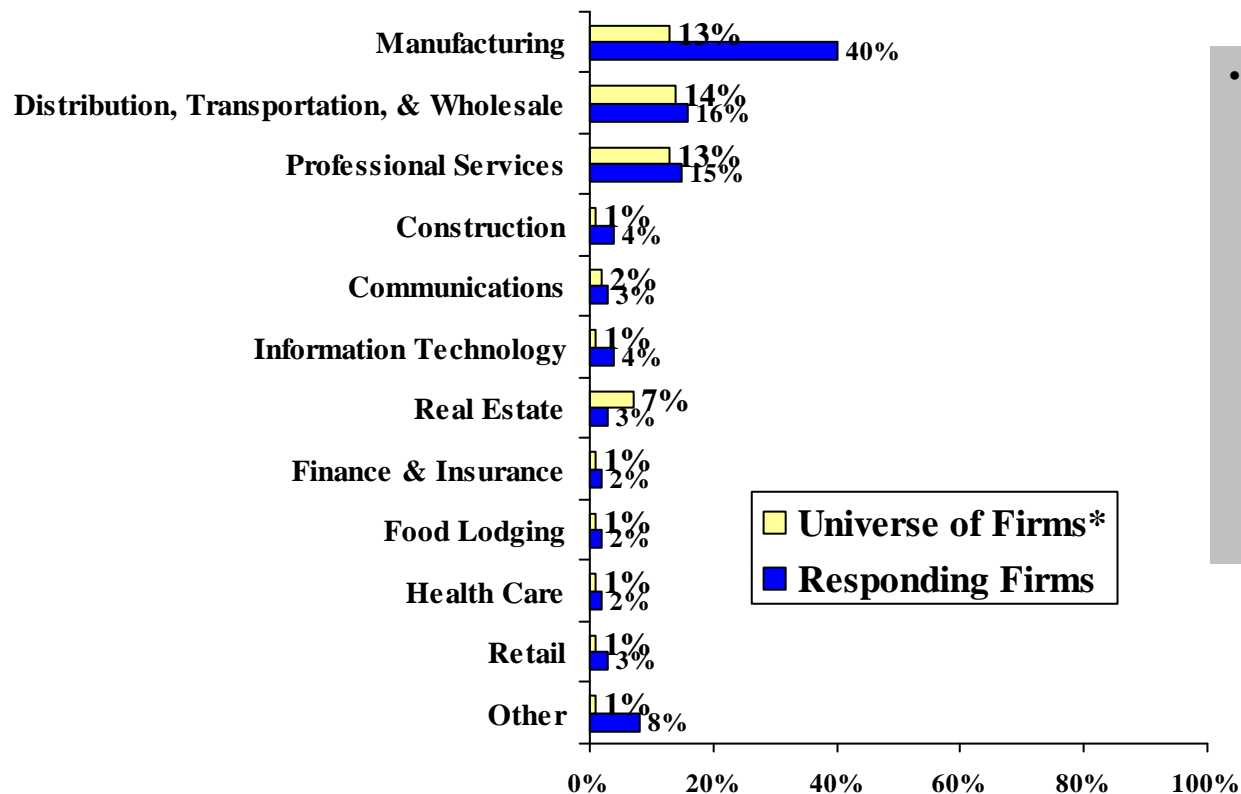
- Businesses within the following counties were included: Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Summit, and Stark
- Only businesses that were deemed to have a reasonable chance of participating in international business activities were included in the questionnaire mailing. Basically, businesses in certain industries were included (manufacturing, transportation, etc.) and those in others were excluded (mining, utilities) based on their high/low likelihood of being involved in international business activities. For some industries, only those organizations that are large as judged by the number of employees (for example, healthcare) were included for the same reason. Using these criteria, a universe of approximately 36,000 firms was identified. From this universe, 5,900 firms were randomly selected and sent questionnaires. It is important to note that the universe-defining process created a strong bias towards larger firms in specific industries. This is the only universe to which the results of the current study can be projected, **not** the universe of all firms within Northeast Ohio. We know that there is at least *some* international business activity conducted by the firm types not included in this study, but none of that activity is measured in this study.

Respondent Firmographics

Respondent Firmographics

Main Type of Business

Q17: What is your main type of business?



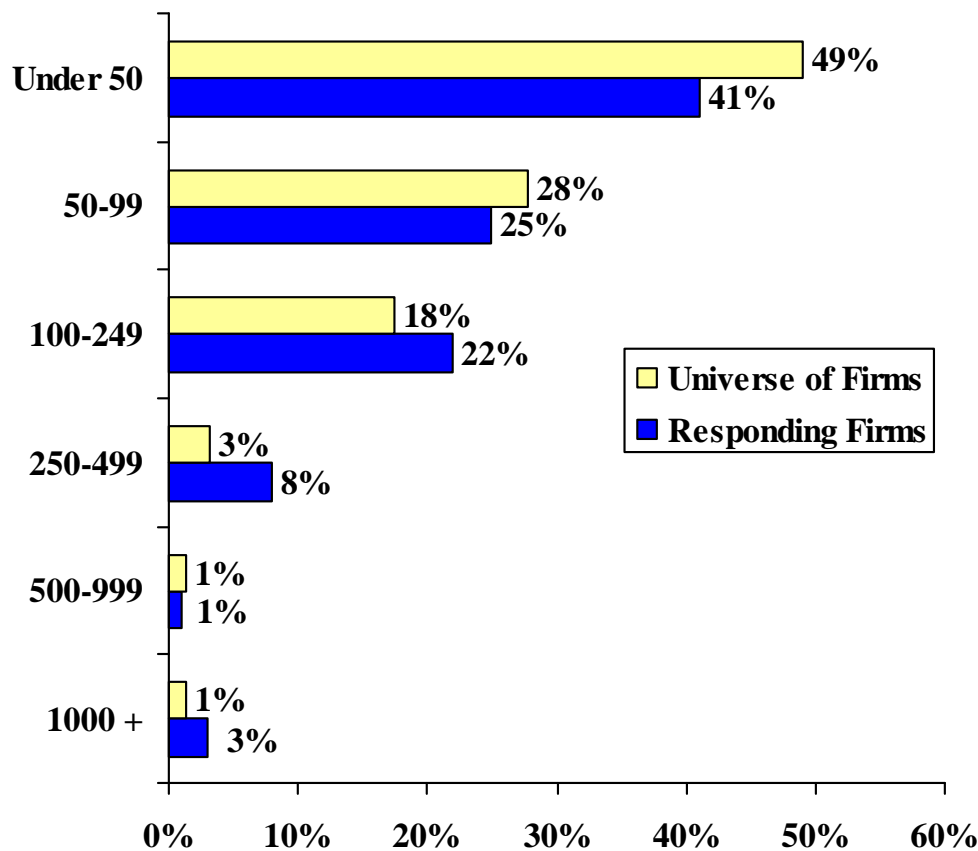
• Here we show the main industries of the responding companies (blue, or darker, bars). In contrast, we show the main industry types of the universe from which we sampled. Note that the universe we sampled from is *not reflective* of the entire universe of firms in NE Ohio. It is purposely disproportionate (certain industries were oversampled) in order to maximize the chance that those industries will be reasonably represented in the final results.

*Note that this is NOT the universe of all firms in NE Ohio, but rather a pre-selected universe of firms most likely to be engaged in international business activities based on their industry type and company size.

Respondent Firmographics

Number of Employees

Q18: How many employees do you have in Northeast Ohio? (Unweighted data)

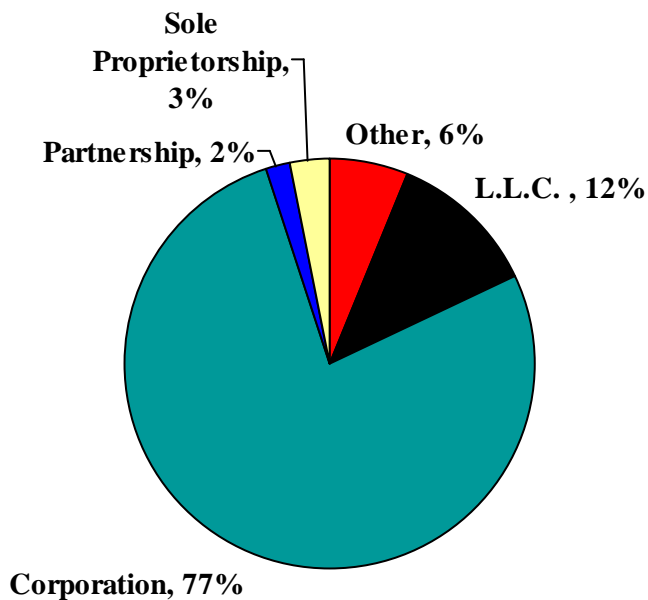


- This shows the number of employees of the responding companies (blue, or darker, bars). In contrast, we show the number of employees of the universe of companies from which we sampled. Again, note that the universe we sampled from is *not reflective* of the entire universe of firms in NE Ohio. It is purposely disproportionate towards larger firms, based on the assumption that larger firms are more likely to participate in international business activities.
- Note that we see a response bias *away* from small firms (fewer than 50 employees). We assume that this bias is due to a lower level of participation in international business among smaller firms and that those not participating in international business were probably less likely to respond to the survey.

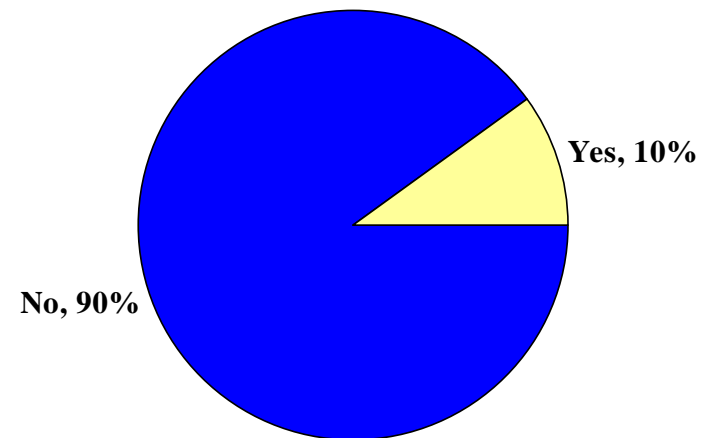
Respondent Firmographics

Corporate Structure & Ownership

Q19: What is your corporate structure?



Q22: Is your company wholly or partially owned by an entity outside the U.S.?

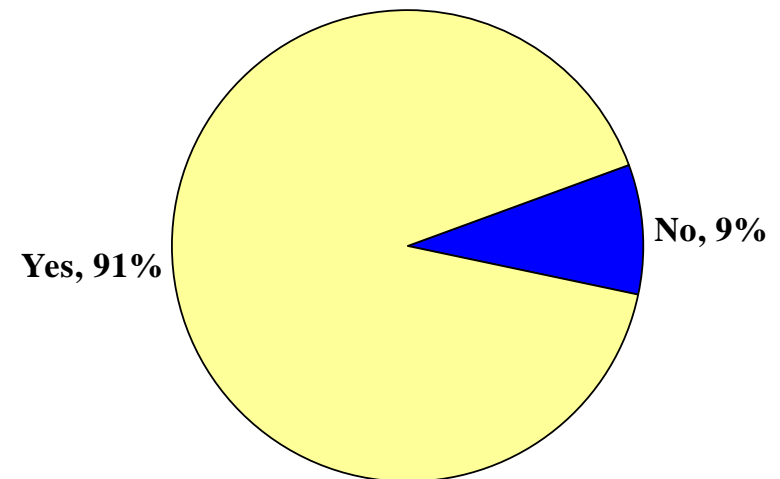
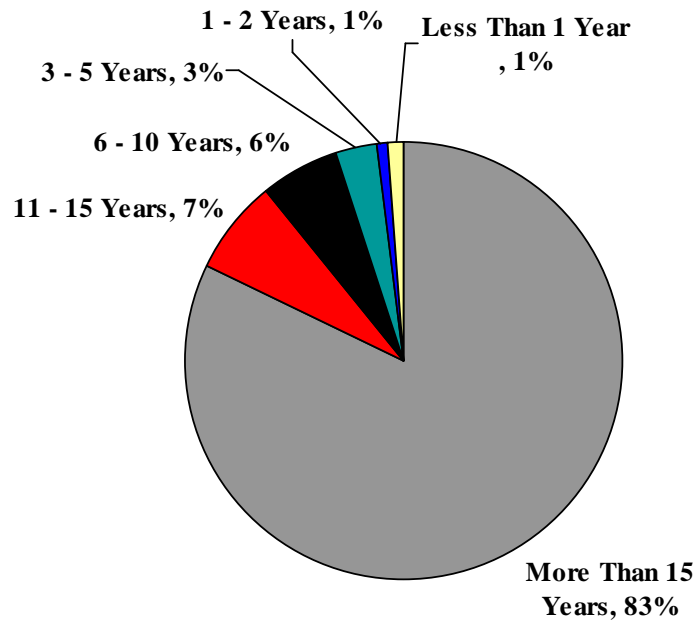


- One-tenth of the sampled firms is partially or wholly-owned by a non-U.S. entity. This is no doubt a reflection of the pre-selection process where we focused more on businesses more likely to be engaged in international business activities.

Respondent Firmographics

Company Tenure & HQ Location

Q20: How long has your company been doing business in Northeast Ohio? Q23: Is your company's U.S. headquarters in Northeast Ohio?



Current Level and Type of International Business Activities

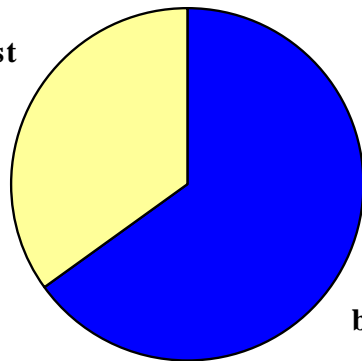
Current Level of International Business Activity

Activity Levels in International Business

Q1_12: We have not engaged in any international business within our most recent fiscal year.

Of The Universe of 36,000 Targeted* Firms

**Have not engaged in
international
business** in past
year
35%**



**At least some
international
business** in past
year
65%**

- Here we show the proportion of firms (where the base is all firms in NE Ohio) that engage in at least some level of international business. Note that a large proportion of business types and sizes were not included in our sampling frame (because they were assumed to be highly unlikely to engage in international business activities). This result is *only* of those that were sampled: 65% of those sampled were engaged in some type of international business activity, and 35% were not. Projecting to the universe, we can estimate that there are at least 23,000 firms in NE Ohio engaged in some level of international business.

- Those in Manufacturing (96%) and Distribution/Transportation/Wholesale industries (70%) were the most likely to be engaged in some level of international business.
- Larger firms (50+ employees) were more likely to be engaged (72%) than smaller firms (56%).

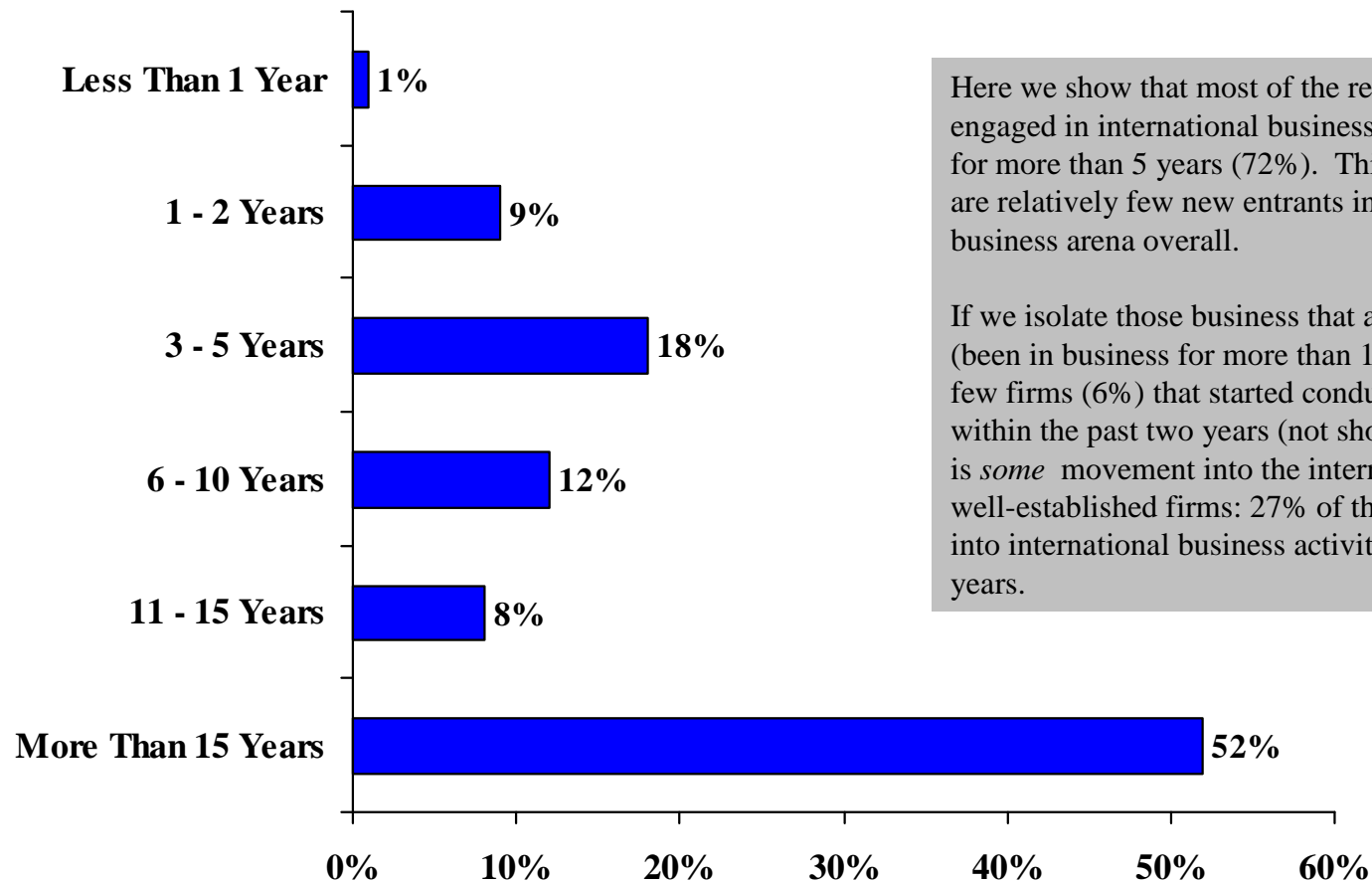
*Targeted firms were those deemed most likely to participate in international business activities (see Methods Section).

**See questionnaire in Appendix for description of all examined types of international business activities (Question 1).

Current Level of International Business Activity

Company Tenure with International Business

Q21: How long has your company been engaged in international business? (of those engaged in international business)



Here we show that most of the respondents (who are engaged in international business) have been doing so for more than 5 years (72%). This suggests that there are relatively few new entrants into the international business arena overall.

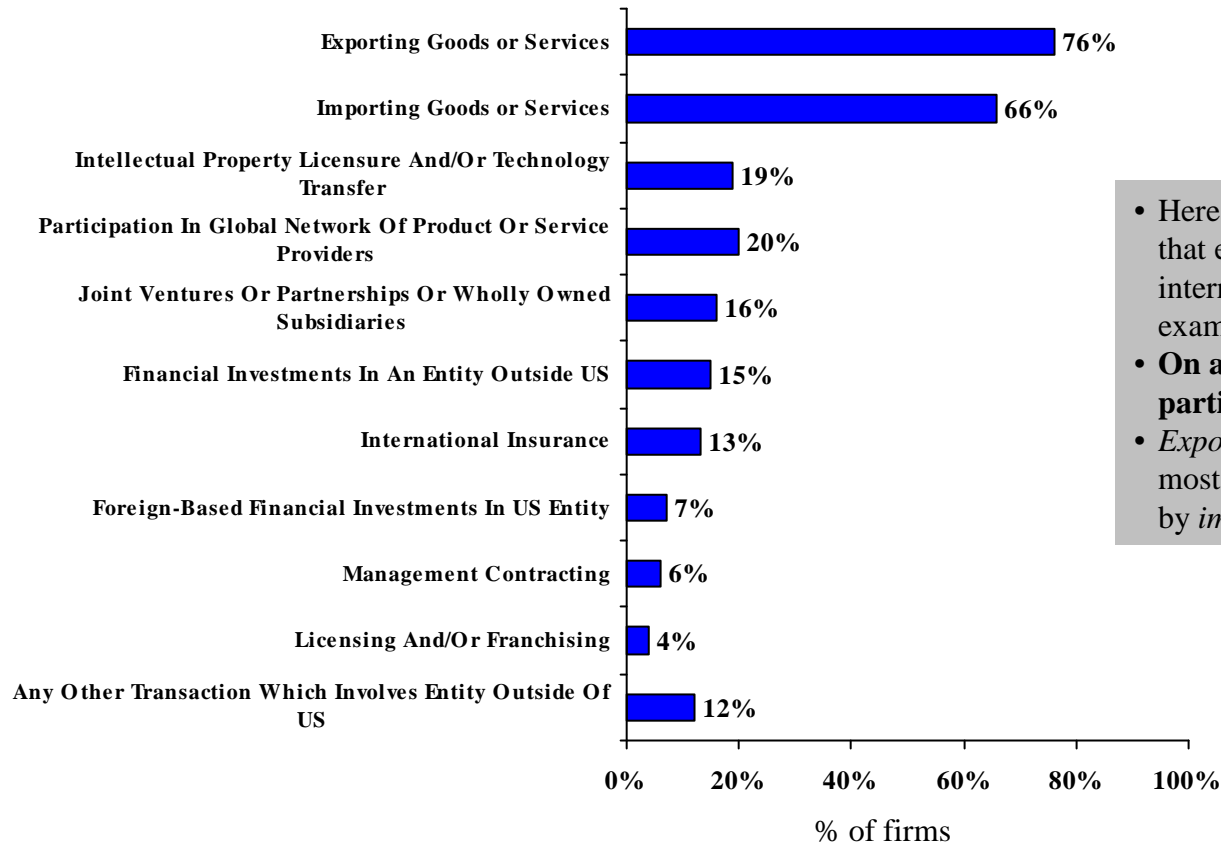
If we isolate those business that are well-established (been in business for more than 15 years), we see very few firms (6%) that started conducting such activities within the past two years (not shown). However, there is *some* movement into the international arena by well-established firms: 27% of them have ventured into international business activities within the past 5 years.

Current Level of International Business Activity

Types of International Business

Q1_1 – Q1_11: In your most recent fiscal year, was your company involved in any sort of international business as listed below?

Base=Those Engaged in International Business Activities
(Multiple responses accepted; Do not total to 100%)



- Here we show the proportion of firms that engage in the various types of international business this study examined.
- **On average (median) firms participated in 3 different activities.**
- *Exporting goods or services* was the most common activity (76%), followed by *importing goods or services* (66%).

Current Level of International Business Activity

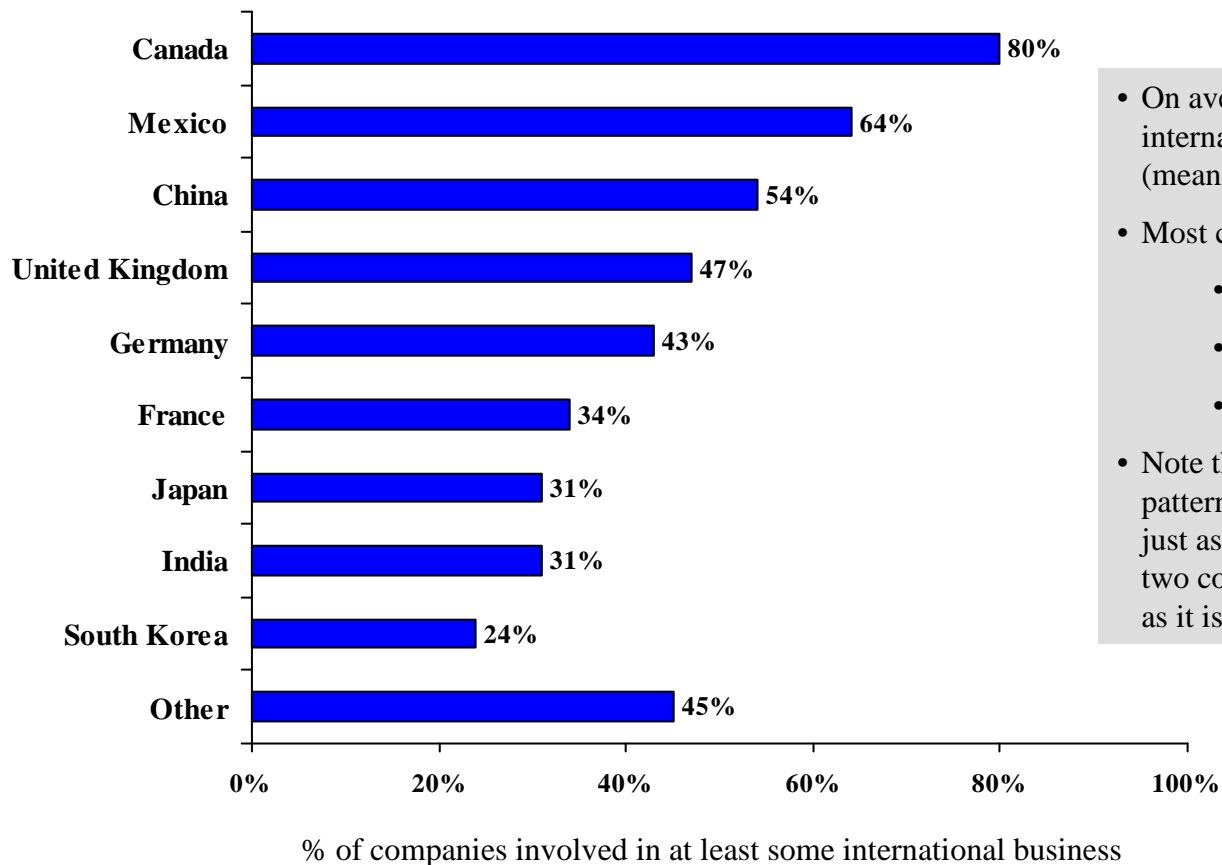
Types of International Business

- There are certain international activities that firms tend to participate in together:
- **Importing/Exporting:**
 - 71% of those who *export* goods and services also *import* goods and services;
 - 81% of those who *import* goods and services also *export* goods and services;
 - 53% of those who engage in some type of international business both *import* and *export* goods and services.
- **Financial Ties**
 - Half (50%) of those with *financial investments* in a non-U.S. entity also have *joint ventures or partnerships or wholly owned subsidiaries* outside of the U.S.
- **Trade Involving Information**
 - Almost half (46%) of those engaged in *intellectual property licensure* and/or *technology transfer* outside the U.S. also are involved with non-U.S. based *joint ventures/partnerships or wholly owned subsidiaries*.

Current Level of International Business Activity

Countries Of International Business Activities

*Q4: With which countries do you currently engage in international business?
(Of those who conduct at least some international business)*

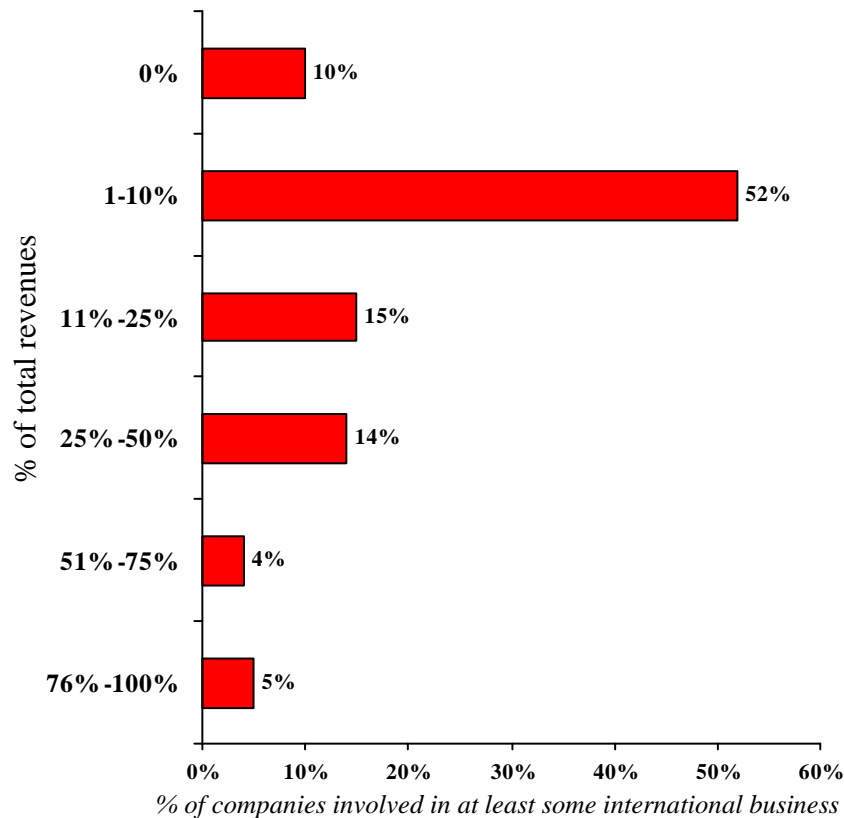


- On average, companies engaged in international business do so within 5 (mean)/4 (median) different countries.
- Most common “other” countries:
 - Brazil (9%)
 - Australia (8%)
 - All of South America (8%)
- Note that there is a fairly random geographic pattern among countries engaged with; it is just as common for businesses to engage with two countries on opposite sides of the world as it is with two countries that share a border.

Current Level of International Business Activity

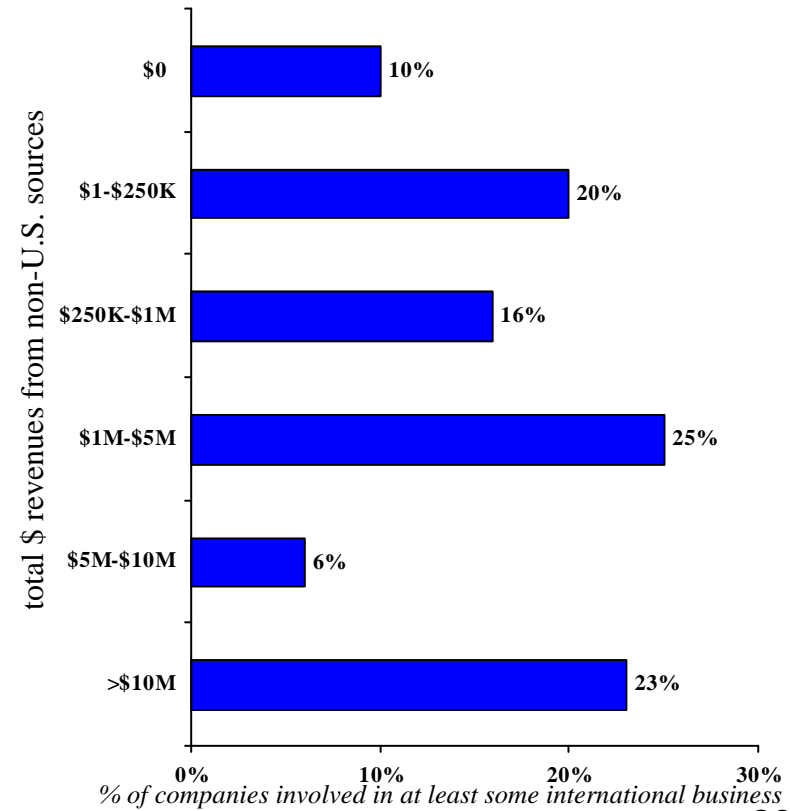
Total Revenue from Non-U.S. Entity

Q7: In your most recent fiscal year, what proportion of your total revenues was from non-U.S. entities?



Amount of Revenue From Non-U.S. Entities

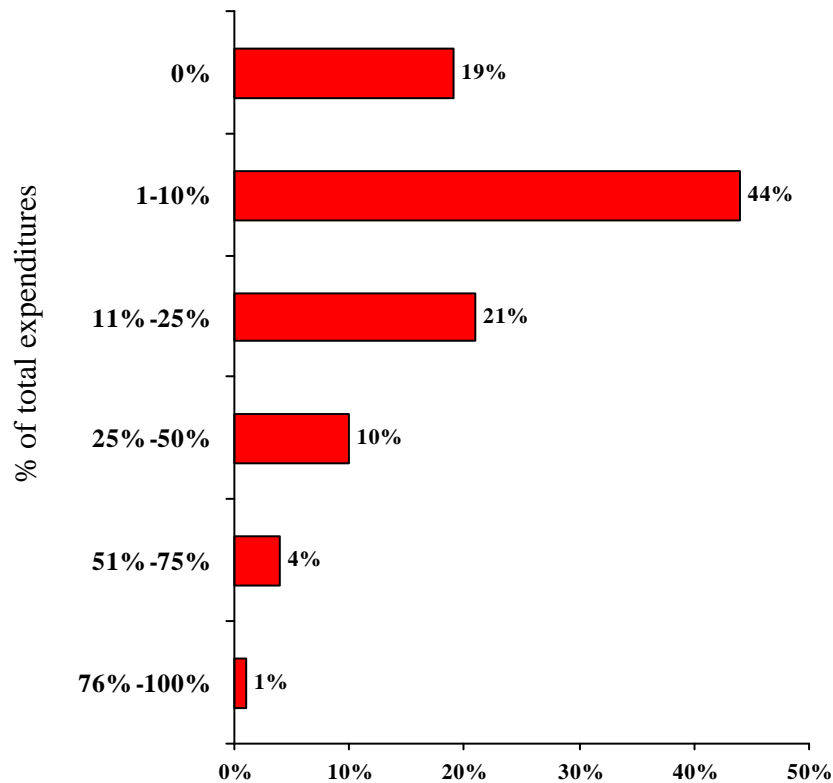
Q8: And approximately what were your total revenues for your most recent fiscal year * Q7 (% of revenues from international sources)



Current Level of International Business Activity

Expenditures to a Non-U.S. Entity

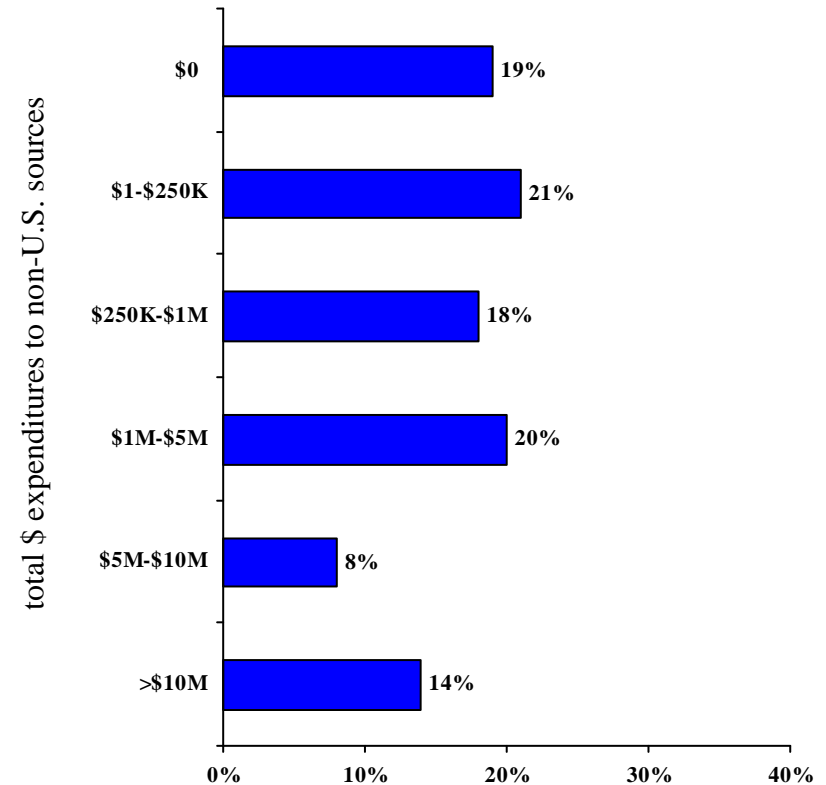
Q9: In your most recent fiscal year, what proportion of your total expenditures was to non-U.S. entities?



% of companies involved in at least some international business

Amount of Expenditures to Non-U.S. Entities

*Q9: And approximately what were your total expenditures for your most recent fiscal year * Q9 (% of expenditures to non-U.S. entities)*



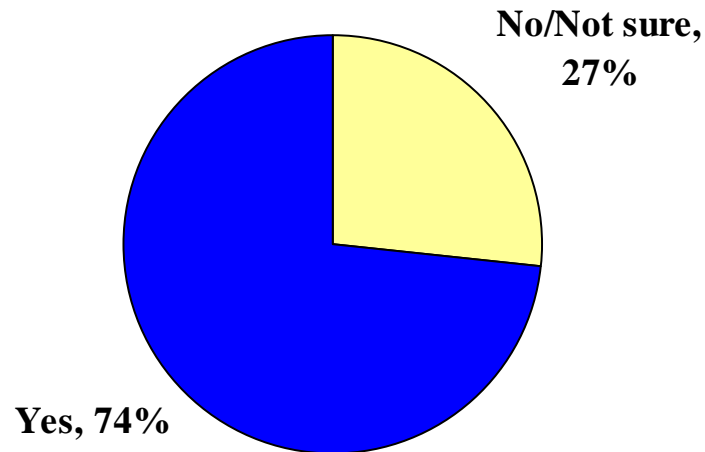
% of companies involved in at least some international business

Intended Growth of International Business Activities

Intended Growth of International Business Activities

Future Level of International Business

Q2: Does your company currently have a goal to increase your level of international business activities? (Of those currently engaged in international business)

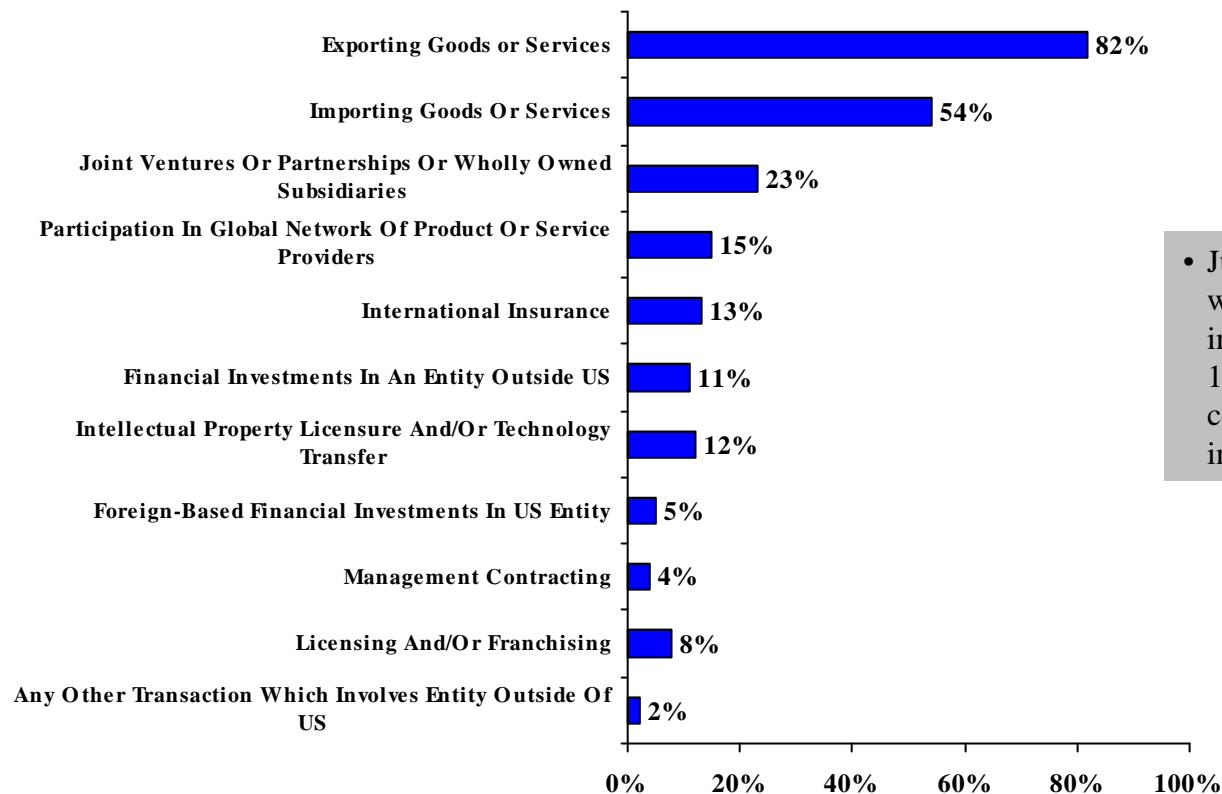


- Most of those sampled (74%) currently have a goal of increasing their levels of international business.
 - Larger businesses (more than 50 employees) were more likely to want to increase their level of activity (82%).
 - Manufacturing and Distribution/Transportation businesses were more likely to want this increase (81%) than those in other industries.

Intended Growth of International Business Activities

Increasing Levels of International Business

Q3: Which type(s) of international business are you hoping to increase? (of those with a goal to increase levels)



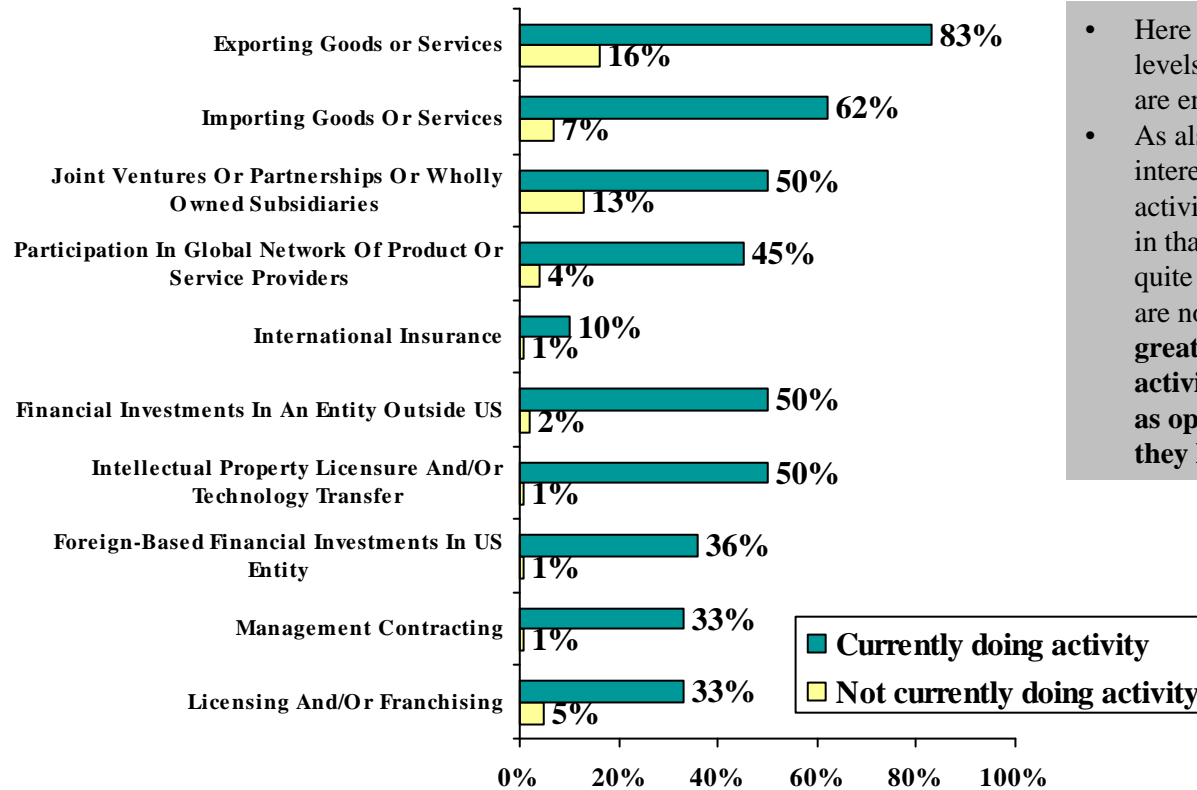
- Just as importing and exporting goods were the most common existing international business activities (page 13), they were also the activities companies were most likely to want to increase.

Intended Growth of International Business Activities

Increasing Levels of International Business

Percentage of Those with Goal to Increase International Business Activity

By Those Currently Engaging/Not Engaging in Activity



- Here we contrast the levels of interest in increasing future levels of international business among those who currently are engaged in that activity, vs. those who are not.
- As also shown on the previous page, there is a lot of interest in growing some activities, but the interest, for all activity types, is far greater among those already engaged in that activity at some level. That is, interest levels are quite low (no more than 16% of firms) among those who are not engaged in each activity. **This suggests that the greatest growth opportunities are within the specific activity areas which companies are already engaged in, as opposed to companies venturing into activities that they have not already accomplished.**

% of companies involved in at least some international business

Barriers to Growing International Business Activities

Barriers to Growing International Business Activities

Assets or Strengths

Q13: In your opinion, what assets or strengths exist in Northeast Ohio that facilitate international business?

Most common responses, in descending order of mention:

- Location (48 responses)
- Good transportation infrastructure (43)
- Skilled labor force (40)
- Good industrial base (good supply chain) (35)
- Good professional services (legal, etc.) (28)
- Diverse population (12)
- Low cost of living/doing business (11)
- Access to capital/funding/finance (8)

Barriers to Growing International Business Activities

Support Services to Assist in International Business

Q6: What types of support services are you currently receiving to assist you in international business?

Most common responses, in descending order of mention:

- Shipping/Logistics (25 responses)
- Legal support (24)
- Banking (17)
- Government support (14)
- Sales reps/partners in other countries (14)
- Accounting/Finance (11)
- Customs/Import/Export barriers (8)
- Currency exchange (5)
- Language Translation (2)
- HR assistance (2)

Barriers to Growing International Business Activities

Barriers to Successful International Business

Q5: What do you see as the main barriers to companies like yours successfully engaging in international business?

Most common responses, in descending order of mention:

- Language/Cultural differences (50 responses)
- Too costly (in time or \$) (48)
- Trade barriers/Regulations (43)
- No sales reps in other country/Lack of market presence/no distribution channel (32)
- Shipping costs/Logistics (28)
- Currency fluctuations/Banking intricacies (20)
- Foreign competitors are priced lower (14)
- Tariffs (13)
- Hard to control quality (12)
- Hard to protect intellectual property/Own interests (10)
- Poor labor/unskilled labor overseas (10)
- Finding/Understanding new markets (9)
- Lack of resources/Personnel to dedicate to effort (8)
- U.S. Immigration policies/Hard to get incoming visas (7)
- High labor costs overseas (Europe) (7)
- Don't trust foreign buyers/Hesitate to give credit (6)
- Labor laws overseas (5)

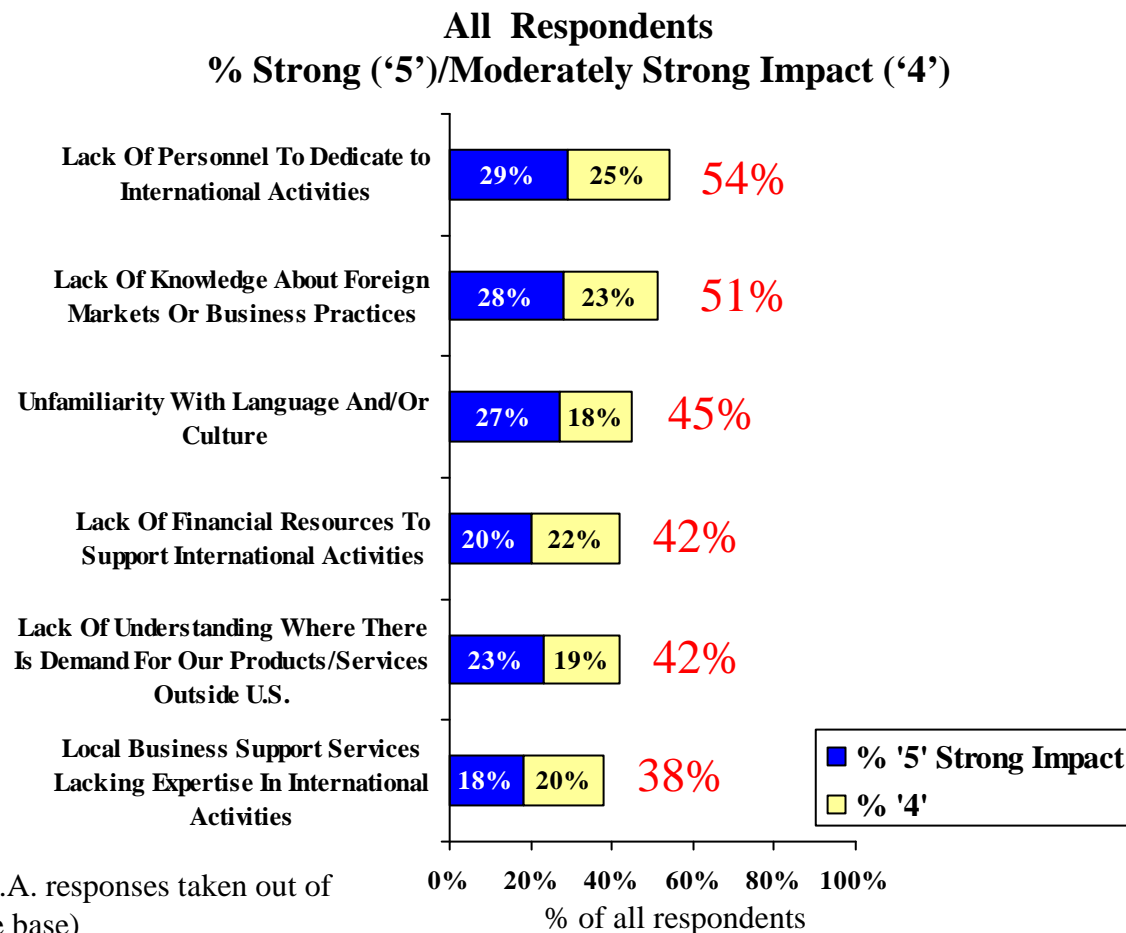
Note that while language/cultural barriers was the most commonly mentioned barrier, very few respondents reported using outside services to assist with that (see page 24). Perhaps this respondent knows why:

It is nearly impossible to find a central source for translators/interpreters in Cleveland area for most languages. We have many ethnic groups living here who should be able to assist our area in the entrees necessary for international business.we do receive inquiries from China, Japan, Italy and Spain.

Barriers to Growing International Business Activities

Barriers

Q11: Please tell us your level of agreement or disagreement with each of these in terms of how they impact your willingness to engage in international business:



- On the previous page, we summarized respondents' 'open-ended' comments regarding what they felt were the biggest barriers to international business activities in our region. Here we show the proportion of respondents who rated each of six different potential barriers in terms of their having an 'impact' on their willingness to engage in international business activities. Note that this is all respondents (both those engaged and not engaged in international business. On the following page, we contrast those different types of businesses on these measures.)

Barriers to Growing International Business Activities

Barriers

Barriers: Those Engaged vs. Those Not Engaged in International Business Activities

(N.A. responses taken out of the base)

% Strong ('5')/Moderately Strong Impact ('4') Combined

✓=Stronger barrier to those not engaged. Increased awareness/understanding and/or direct support may lead to increased activity.

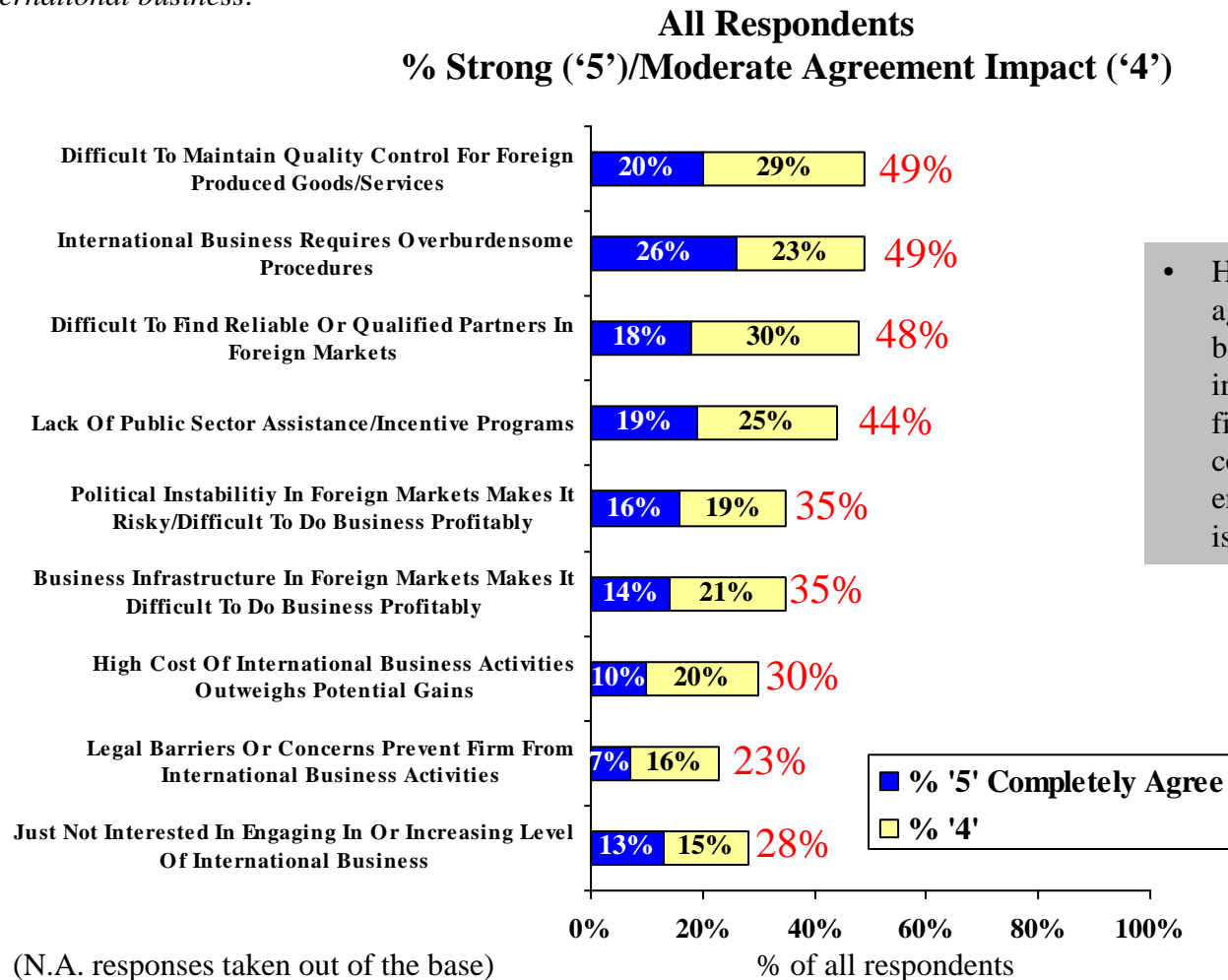
		Of Those Currently Engaged in International Business	Of Those Not Currently Engaged in International Business
✓	Lack Of Personnel To Dedicate to International Activities	51%	61%
	Lack Of Knowledge About Foreign Markets Or Business Practices	50%	56%
	Unfamiliarity With Language And/Or Culture	43%	51%
✓	Lack Of Financial Resources To Support International Activities	37%	52%
✓	Lack Of Understanding Where There Is Demand For Our Products/Services Outside U.S.	38%	55%
	Local Business Support Services Lacking Expertise In International Activities	37%	43%

- Here we contrast the attitudes on these barriers between those who do and do not engage in international business activities. In all cases, those who are not engaged are more likely to see each barrier as strong, but there are particularly large gaps in attitudes on three of the barriers: *lack of personnel to dedicate to international activities*; *lack of financial resources to support international activities*; and *lack of understanding where there is demand*.

Barriers to Growing International Business Activities

Barriers

Q12: Please tell us your level of agreement or disagreement with each of these in terms of how they impact your willingness to engage in international business:



• Here we show the level of agreement on more potential barriers to engaging in international business. Again, this figure shows all respondents. A comparison of those engaged/not engaged in international business is shown on the following page.

Barriers to Growing International Business Activities

Barriers

Barriers: Those Engaged vs. Those Not Engaged in International Business Activities

(N.A. responses taken out of the base)

% Strong ('5')/Moderately Strong Agreement ('4') Combined

	Of Those Currently Engaged in International Business	Of Those Not Currently Engaged in International Business
Difficult To Maintain Quality Control For Foreign Produced Goods/Services	50%	44%
✓ International Business Requires Overburdensome Procedures	44%	67%
Difficult To Find Reliable Or Qualified Partners In Foreign Markets	49%	45%
Lack Of Public Sector Assistance/Incentive Programs	44%	47%
✓ Political Instability In Foreign Markets Makes It Risky/Difficult To Do Business Profitably	27%	53%
Business Infrastructure In Foreign Markets Makes It Difficult To Do Business Profitably	33%	38%
High Cost Of International Business Activities Outweighs Potential Gains	27%	38%
✓ Legal Barriers Or Concerns Prevent Firm From International Business Activities	17%	40%
✓ Just Not Interested In Engaging In Or Increasing Level Of International Business	14%	64%

✓=Stronger barrier to those not engaged. Increased awareness/understanding may lead to increased activity.

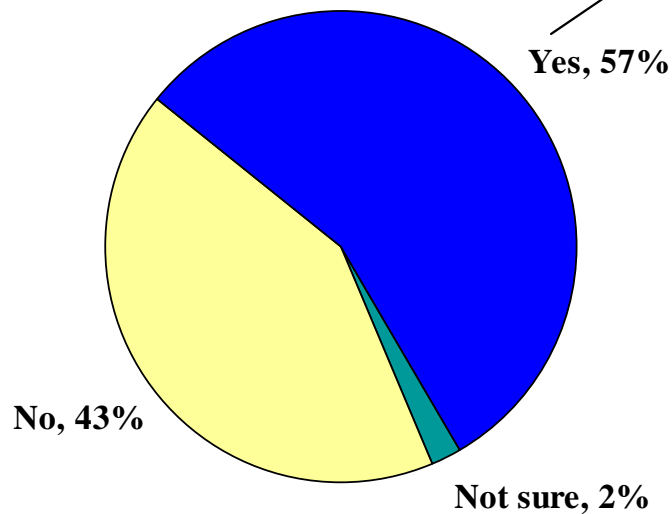
- Here we again contrast the attitudes on these barriers between those who do and do not engage in international business activities. In almost all cases, those who are not engaged are more likely to see each barrier as strong, but there are large gaps in attitudes on four of the attitudes: *requires overburdensome procedures*; *political instability makes it too risky*; *legal barriers or concerns*; and, *just not interested*.

Legal Services' Role in International Business Activities

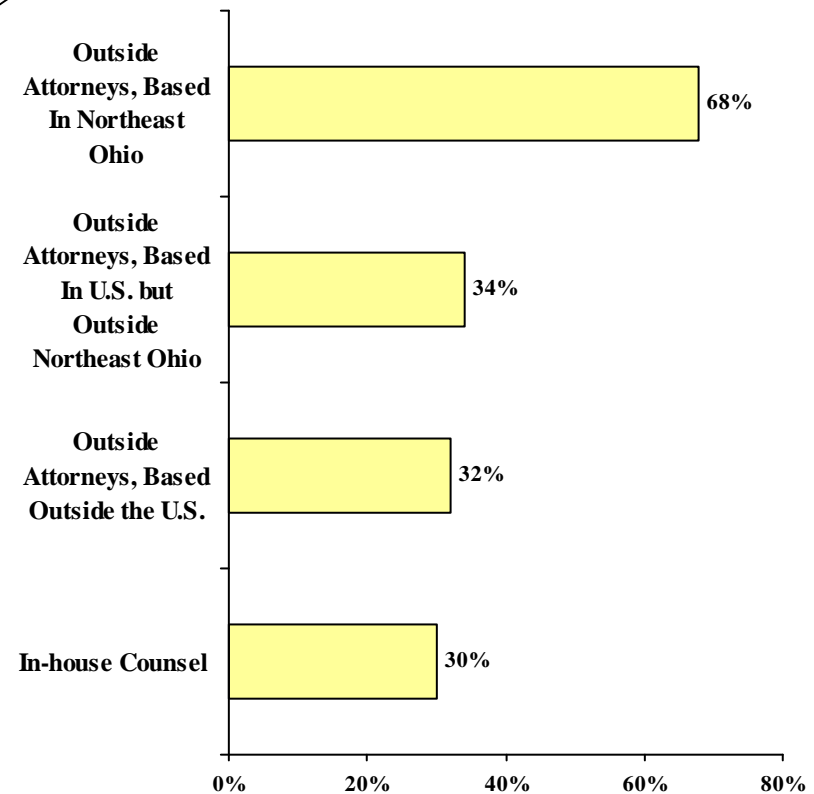
Legal Services' Role in International Business Activities

Requirement of Legal Counsel

Q14: To execute any of your international business, did you require legal counsel? (of those engaged in at least some international business)



Q15: If so, which types of legal counsel did your company rely on? (of those which require legal counsel)

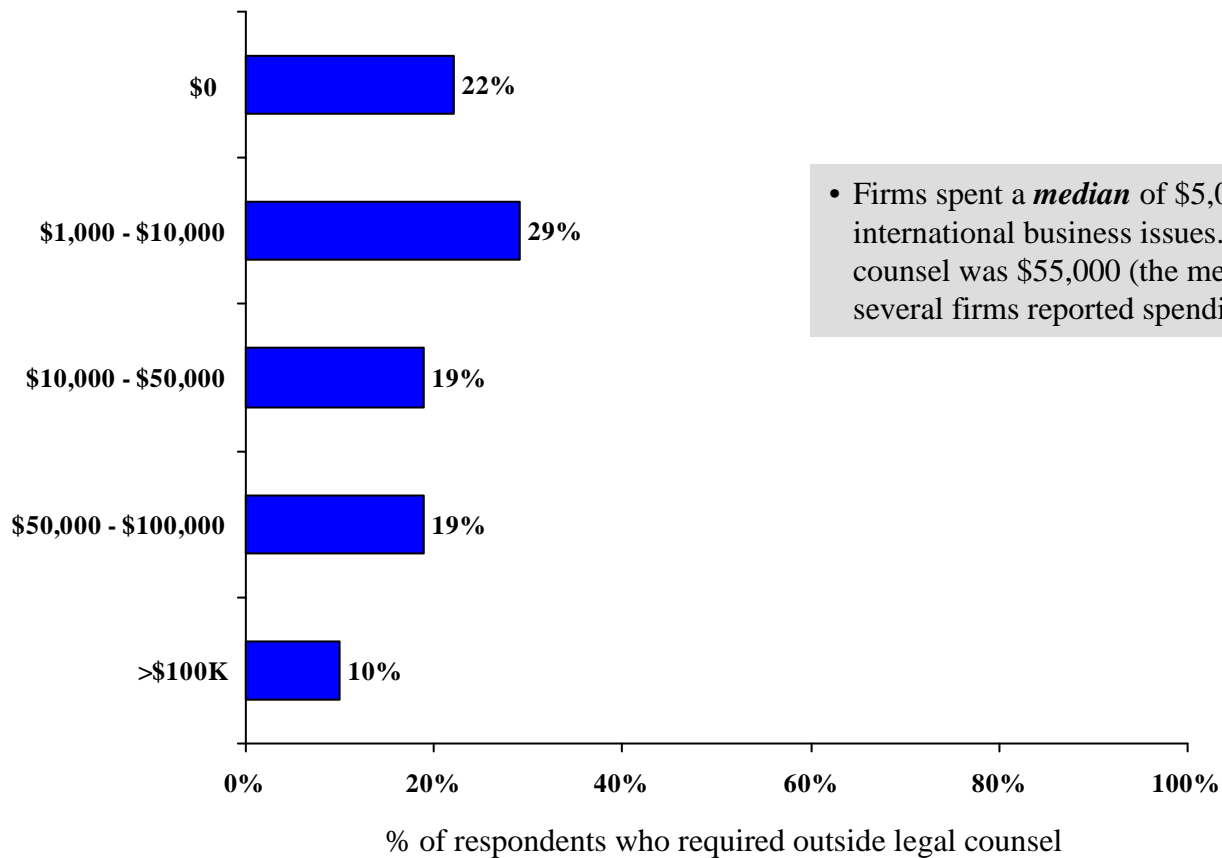


- Note that only 1% of respondents relied exclusively on non-U.S. attorneys (i.e., most required local counsel in addition).

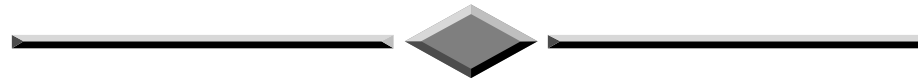
Legal Services' Role in International Business Activities

Requirement of Legal Counsel

Q16: In your most recent fiscal year, approximately how much did your company (or the division located within Northeast Ohio) spend on outside legal counsel pertaining to international business issues?



Economic Impact of International Activities *in Northeast Ohio*



Ziona Austrian, Ph.D.

Cleveland State
University



Maxine Goodman Levin
College of Urban Affairs

The Center for Economic Development

Economic Impact of International Business Activities

- ❖ International activities build wealth in Northeast Ohio.
- ❖ Based on the survey of businesses in Northeast Ohio (discussed earlier) and projected to the universe of businesses in the region, it is estimated that international activities result in \$21.96 billion of net revenues coming into Northeast Ohio.
 - Revenues from non-U.S. sources = \$38.44 billion
 - Expenditures to non-U.S. sources = \$16.48 billion
 - Net revenues = \$21.96 billion

Economic Impact of International Business Activities

- ❖ Economic impact analysis is based on inter-industry relationships within regions, which determine how regions respond to changes in economic activities.
- ❖ Economic impact measures economic benefits in terms of:
 - Output (value of goods and services produced throughout the economy)
 - Employment (number of jobs)
 - Labor income (household earnings)
- ❖ Total economic impact in output, employment, and income is a summation of three impacts: direct impact, indirect impact, and induced impact.
 - Direct impact refers to the change of economic activity (in this case, net revenues from international activities)
 - Indirect impact measures the impact on companies and individuals that provide additional goods and services needed for international activities (suppliers to companies engaged in international activities).
 - Induced impact measures the change in spending by local households due to increased earnings by employees in local industries who support international activities.

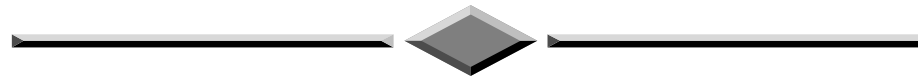
Economic Impact of International Business Activities

	Output (\$Bil.)	Labor Income (\$Bil.)	Employment (#Jobs)
Direct Impact	23.11	3.52	38,597
Indirect Impact	9.40	2.80	49,783
Induced Impact	4.82	1.55	45,148
Total Impact	37.34	7.87	133,528

- Total output produced in Northeast Ohio increased by \$37.34 billion in 2006 as a result of international activities. Of that, 38% is accounted for by indirect and induced impacts.
- Total household earnings in Northeast Ohio increased by \$7.87 billion due to international trade activities. Of that, 55% is accounted by indirect and induced impacts.
- More than 133,500 jobs were created in Northeast Ohio in 2006 because of international activities. Of that, 71% is attributed to indirect and induced impacts.

Survey of Law Firms in Northeast Ohio

Summary Results



Jill S. Taylor

Survey Overview

❖ Purpose

- To gain a better understanding of the number of Northeast Ohio lawyers and firms involved in the practice of international law and the scope of their activities

❖ Invitation to participate in the survey issued by the Cleveland Bar Association, International Law Section

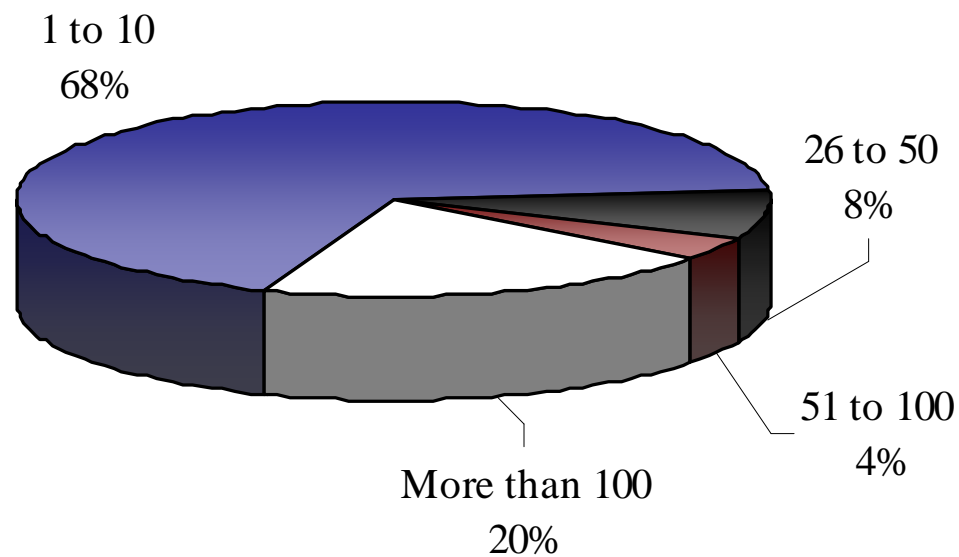
❖ Administered online; 25 firms responded

❖ Survey Analysis

- Characteristics of Responding Firms
- Client Characteristics
- Future of International Law

Characteristics of Survey Respondents

Firm Size (Number of Attorneys)



N=25

Characteristics of Survey Respondents

Involvement in International Law

- ❖ Engaged in international legal matters
 - yes 80% (n=20)
 - no 20% (n=5)
 - all firms (n=6) with more than 50 local attorneys engage in international law
- ❖ Number of local attorneys involved
 - most small firms (1-10 attorneys) have only one or two attorneys regularly handling international legal matters
 - significant variation among larger firms
- ❖ Number of local law firms regularly engaged
 - Wide range of responses; no clear estimate

When questioned about the number of local law firms regularly engaged in international legal matters, a wide range of responses were given, including:

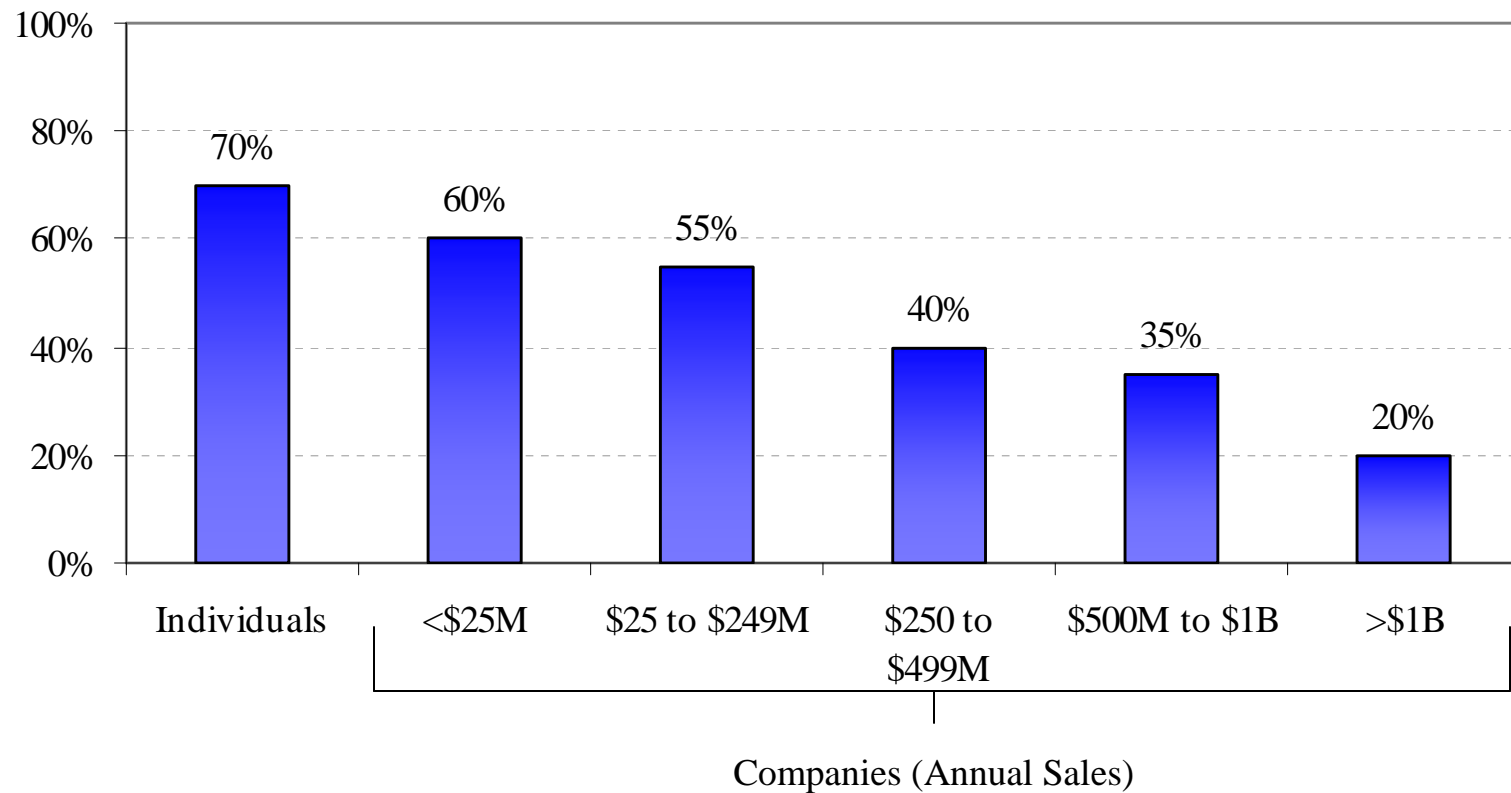
- “probably less than 10”
- “relatively small”
- “a considerable number”
- “most” or “one hundred”

Several have “no idea.”

One respondent pointed out that it depends on how “regularly” and “international law” are defined.

Client Characteristics

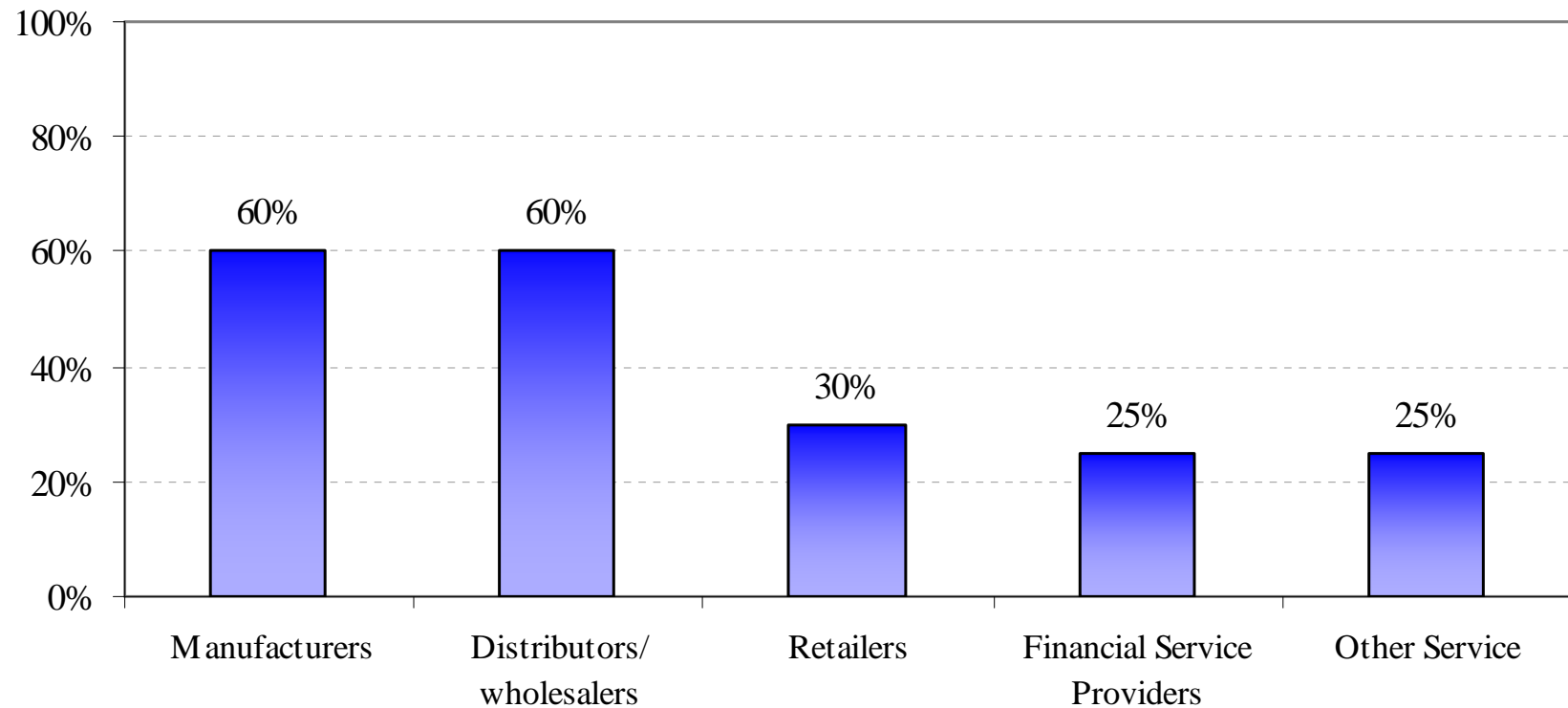
Types of Clients Represented



Does not total to 100%; 50% (n=10) of firms represent clients in multiple categories

Client Characteristics

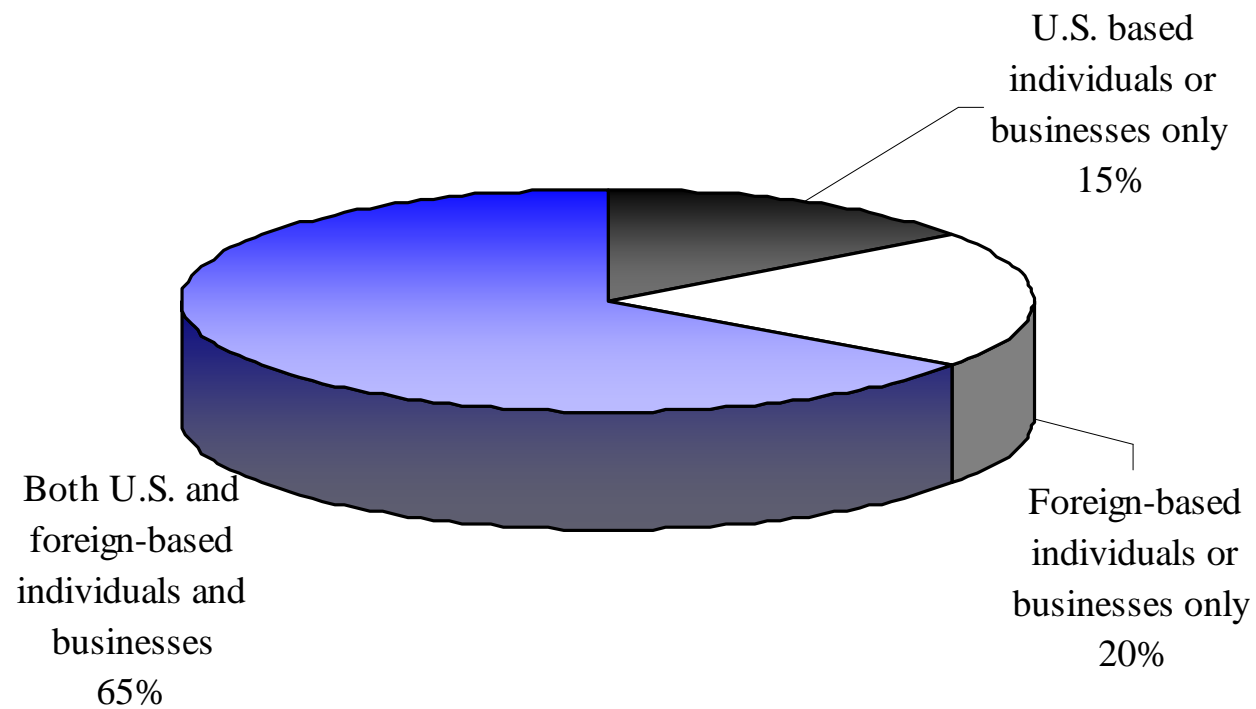
Nature of Clients' Business



Does not total to 100%; 60% (n=12) of firms represent clients in multiple categories

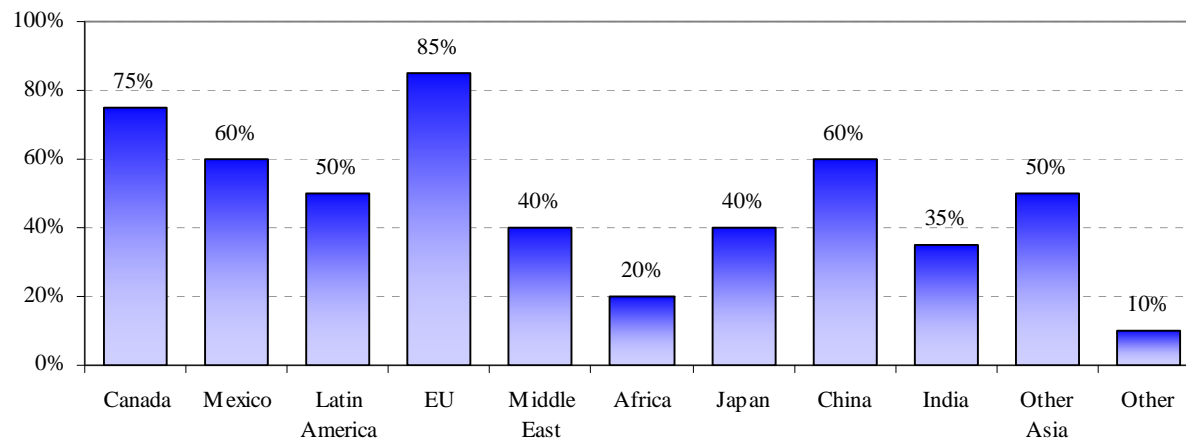
Client Characteristics

Clients Represented



Client Characteristics

Geographic Areas in Which Firms Handle Legal Matters



Most firms (90%) handle legal matters in a number of countries/regions.

- 1 firm indicated only one geographic area
- 8 firms indicated between 2 and 5 geographic areas
- 10 firms indicated between 6 and 10 geographic areas

Why did firm develop a focus in the identified geographic area(s)?

- most comments related to client demand
- several noted that clients were referred to them
- a few firms focus on international legal matters (e.g., immigration, international child custody)
- one firm advertises in foreign publications and has established contacts with chambers of commerce overseas

Future of International Law

Will the involvement of U.S. accounting and consulting firms in international legal matters affect firm business?

- yes 16% (n=3)
- no 84% (n=16)

❖ Why (if yes)?

- adds competition
- consulting firms will likely refer clients to larger law firms
- accountants are providing many traditional legal services (e.g., incorporation, tax planning, transaction structuring)

❖ Why not (if no)?

- clients still require legal expertise (multiple responses)
- clients rely on law firm to select partners when needed

Future of International Law

Forecast for international law practice in Northeast Ohio

- | | | |
|-------------------|-----|--------|
| ■ decrease | 0% | |
| ■ remain the same | 22% | (n=5) |
| ■ increase | 78% | (n=18) |

Why (if increasing)?

- increased globalization
(multiple responses all relating to increased globalization)

Future of International Law

Significant developments that will impact the practice of international law in Northeast Ohio

- increasing globalization
- reduced market barriers
- expansion of markets in China and India
- shift of local jobs to foreign locations
- more multi-national firms doing business in the area
- immigration issues
- success of nonprofits, foundations, private equity investors and venture capitalists in convincing companies to locate in Northeast Ohio
- more contract disputes between U.S. and foreign companies and lack of clear international law to resolve them

Appendix A

Northeast Ohio International Business Survey

- Cover Letter
- Survey Instrument



Cleveland State University

Date _____

name _____
company _____
street address _____
city, state, zip _____

Dear _____

Our region needs your help. On behalf of the International Law Section of the Cleveland Bar Association, Cleveland State University is conducting research on international business activity in Northeast Ohio.

The primary objective of the research is to determine the size of the international business community, in terms of the number of companies engaged in international business and the revenue/expenditure stream involved. We will also estimate the economic impact of international business activities on the Northeast Ohio region and identify the legal needs of companies engaged in international business. Finally, to promote policies and practices that will improve the global business climate in Northeast Ohio, we hope to identify factors that either impede or facilitate international business in the region. The results will be presented at the symposium on "Northeast Ohio's Global Challenge" on April 24, 2007 at the Crown Centre Hotel in downtown Cleveland.

This survey project has received financial support from several corporations, organizations and law firms, including: Baker & Hostetler, LLP; Benesch Friedlander Coplan & Aronoff, LLP; Cavitch Familo Durkin & Frutkin; Cleveland Bar Association & Business Section; Cleveland Bar Association-International Section; Cleveland State University; Cypress Corporation; Eaton Corporation; Jones Day; Kahn Kleinman; LaSalle National Bank; Manufacturing Advocacy & Growth Network; Margaret Wong & Associates; McDonald Hopkins Co., LPA; Northeast Ohio Trade & Economic Consortium; Parker-Hannifin Corporation; Porter Wright Morris & Arthur; STERIS Corporation; Tucker, Ellis & West, LLP; and Walter & Haverfield, LLP.

We are asking you to support this effort by completing the enclosed survey. Your answers will remain completely confidential unless you indicate otherwise and all data will be analyzed in the aggregate. Surveys can be returned via the enclosed postage paid envelope. Data is being processed by Cypress Research Group. Any questions you have should be directed to Jill Taylor, Program Manager with the Center for Economic Development at the Levin College of Urban Affairs. She can be reached at 216-687-2248 or jill@urban.csuohio.edu. Your response is important for the economic development and future of our region.

Respectfully,

Stephen J. Petras Jr.
Chair, International Law Section
Cleveland Bar Association

Mark S. Rosentraub, Ph.D.
Dean and Professor
Maxine Goodman Levin College of Urban Affairs
Cleveland State University

Robert F. Scherer, Ph.D.
Dean and Professor
Nance College of Business Administration
Cleveland State University

NORTHEAST OHIO INTERNATIONAL BUSINESS SURVEY

Thank you for your assistance with this important but brief survey which focuses on **international business** activity in Northeast Ohio. For the purposes of this survey, Northeast Ohio is defined as the following eight counties: Carroll, Cuyahoga, Geauga, Lake, Lorain, Medina, Summit, Portage, and Stark.

The survey should take approximately 20 minutes to complete. When completing the survey, please keep the following in mind:

- We wish to include **both** businesses that **do** and **do not** engage in international business;
- Generally, international business is any transaction with a non-U.S. entity (including Canada)
- Your answers will remain completely **confidential**; all data will be analyzed in the aggregate;
- For this survey, we are interested in entities which are either headquartered in Northeast Ohio or have an operating division or office in Northeast Ohio;
 - If you are part of a larger company which is headquartered outside Northeast Ohio, we ask that you answer this survey **based on that part of your company which is located in Northeast Ohio.**

1. In your most recent fiscal year, was your company involved in any sort of international business as listed below? (please ✓ all that apply)

- ☐ Importing goods or services
- ☐ Exporting goods or services
- ☐ Financial investments in an entity outside the U.S.
- ☐ Foreign-based financial investments in a U.S. entity
- ☐ International insurance
- ☐ Intellectual property licensure and/or technology transfer
- ☐ Licensing and/or franchising
- ☐ Management contracting
- ☐ Joint ventures or partnerships or wholly owned subsidiaries
- ☐ Participation in a global network of product or service providers
- ☐ Any other transaction which involves an entity outside the United States. Please explain:

- ☐ We have **not engaged in any** international business within our most recent fiscal year [Skip To Question 11, Page 3]

2. Does your company currently have a goal to increase your level of international business activities?
- ☐ Yes
☐ No [Skip to Question 4]
☐ Not Sure [Skip to Question 4]
3. Which type(s) of international business are you hoping to increase? (please ✓ all that apply)
- | | |
|--|--|
| <input type="checkbox"/> Importing goods or services | <input type="checkbox"/> Licensing and/or franchising |
| <input type="checkbox"/> Exporting goods or services | <input type="checkbox"/> Management contracting |
| <input type="checkbox"/> Financial investments in an entity outside the U.S. | <input type="checkbox"/> International insurance |
| <input type="checkbox"/> Foreign-based financial investments in a U.S. entity | <input type="checkbox"/> Joint ventures or partnerships or wholly owned subsidiaries |
| <input type="checkbox"/> Intellectual property licensure and/or technology transfer | <input type="checkbox"/> Participation in a global network of product or service providers |
| <input type="checkbox"/> Any other transaction which involves an entity outside the United States. Please explain: _____ | |
-
4. With which countries do you currently engage in international business? (please ✓ all that apply)
- | | | |
|---------------------------------------|---------------------------------------|---|
| <input type="checkbox"/> Canada | <input type="checkbox"/> Mexico | <input type="checkbox"/> United Kingdom |
| <input type="checkbox"/> Germany | <input type="checkbox"/> France | <input type="checkbox"/> India |
| <input type="checkbox"/> China | <input type="checkbox"/> Japan | <input type="checkbox"/> South Korea |
| <input type="checkbox"/> Other: _____ | <input type="checkbox"/> Other: _____ | <input type="checkbox"/> Other: _____ |

5. What do you see as the main barriers to companies like yours successfully engaging in international business?

6. What types of support services are you currently receiving to assist you with international business?

7. In your most recent fiscal year, what proportion of your total **revenues** was from non-U.S. entities?

8. And approximately what were your total revenues for your most recent fiscal year? \$

9. In your most recent fiscal year, what proportion of your total **expenditures** was to non-U.S. entities?

10. And approximately what were your total expenditures for your most recent fiscal year? \$

11. Below is a list of factors that may act as barriers to conducting international business in Northeast Ohio. Please tell us your level of **agreement** or **disagreement** with each of these in terms of how they impact your willingness to engage in international business.

	<i>No Impact</i>				<i>Strong Impact</i>	<i>Not Applicable</i>
a. Lack of understanding of where there is demand for our products/services outside U.S.	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	N.A.
b. Lack of knowledge about foreign markets or business practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N.A.
c. Local business support services lacking expertise in international activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	N.A.
d. Unfamiliarity with language and/or culture	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	N.A.
e. Lack of personnel to dedicate to international activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	N.A.
f. Lack of financial resources to support international activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	N.A.

12. Below are more factors that may act as barriers. Please tell us your level of agreement or disagreement with each of these in terms of how they impact your willingness to engage in international business.

	<div> <i>Completely</i> <i>Disagree</i> </div>					<div> <i>Completely</i> <i>Agree</i> </div>	<div> <i>Not</i> <i>Applicable</i> </div>
a. The high cost of international business activities outweighs the potential gains	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
b. There is a lack of public sector assistance or incentive programs	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
c. International business requires over-burdensome procedures (documents, customs, immigration, etc.)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
d. Business infrastructure in foreign markets makes it difficult to do business profitably	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
e. Political instability in foreign markets makes it risky or difficult to do business profitably	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
f. It is difficult to find reliable or qualified partners in foreign markets	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
g. It is difficult to maintain quality control for foreign produced goods or services	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
h. Legal barriers or concerns prevent our firm from international business activities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.
i. We are just not interested in engaging in or increasing our level of international business	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5		N.A.

13. In your opinion, what **assets** or **strengths** exist in Northeast Ohio that facilitate international business?

14. To execute any of your international business, did you require legal counsel?
- ☐ Yes
☐ No [Skip To Question 17]
☐ Not Sure [Skip To Question 17]

15. If so, which types of legal counsel did your company rely on? (please ✓ all that apply)

- ☐ In-house counsel
☐ Outside attorneys, based in Northeast Ohio
☐ Outside attorneys, based in U.S., but outside Northeast Ohio
☐ Outside attorneys, based outside the U.S.

16. In your most recent fiscal year, approximately how much did your company (or the division located within Northeast Ohio) spend on outside legal counsel pertaining to international business issues?

\$

17. What is your **main** type of business? (please ✓ one)

- | | | | |
|--|---------------------------------------|--|--|
| <input type="checkbox"/> Finance & Insurance | <input type="checkbox"/> Retail | <input type="checkbox"/> Information Technology | <input type="checkbox"/> Construction |
| <input type="checkbox"/> Communications | <input type="checkbox"/> Food/Lodging | <input type="checkbox"/> Manufacturing | <input type="checkbox"/> Professional Services |
| <input type="checkbox"/> Real Estate | <input type="checkbox"/> Health Care | <input type="checkbox"/> Distribution, Transportation
& Wholesale | <input type="checkbox"/> Other: _____ |

18. How many employees do you have in Northeast Ohio?

- ☐ 1-5 ☐ 6-10 ☐ 11-24 ☐ 25-49 ☐ 50-99 ☐ 100-249 ☐ 250-499 ☐ 500-999 ☐ 1000+

19. What is your corporate structure?

- ☐ Sole Proprietorship ☐ Partnership ☐ Corporation ☐ L.L.C. ☐ Other

20. How long has your company been doing business in Northeast Ohio?

- ☐ Less than 1 year ☐ 1-2 years ☐ 3-5 years ☐ 6-10 years ☐ 11-15 years ☐ More than 15 years

21. How long has your company been engaged in international business?

- ☐ Not engaged in international business
☐ Less than 1 year ☐ 1-2 years ☐ 3-5 years ☐ 6-10 years ☐ 11-15 years ☐ More than 15 years

22. Is your company wholly or partially owned by an entity outside the U.S.? ☐ Yes ☐ No

23. Is your company's U.S. headquarters in Northeast Ohio? ☐ Yes ☐ No

THANK YOU FOR YOUR HELP WITH THIS SURVEY! Please return it **BY WEDNESDAY, FEBRUARY 28** in the enclosed envelope to: Cypress Research Group, 21403 Chagrin Boulevard, Suite 106, Beachwood, OH 44122.

Appendix B

Survey of Law Firms in Northeast Ohio

- Survey Instrument

International Law Practice in Cleveland

International Law Survey 2007

1. Size of your firm's Northeast Ohio office(s), based on number of local attorneys:

- ☐ 1-10 attorneys
- ☐ 11-25 attorneys
- ☐ 26-50 attorneys
- ☐ 51-100 attorneys
- ☐ More than 100 attorneys

2. Does your firm have any local attorneys engaged in handling international law matters?

- ☐ Yes
- ☐ No (Skip to Question 10)

3. Number of:

Attorneys at the local office of your firm regularly handling international legal matters

Attorneys at all offices of your firm regularly handling international legal matters

4. Types of clients that your firm represents in its international law practice (please check all that apply)

- ☐ Individuals
- ☐ Companies with less than \$25 million in annual sales
- ☐ Companies with \$25-249 million in annual sales
- ☐ Companies with \$250-499 million in annual sales
- ☐ Companies with \$500 million - \$1 billion in annual sales
- ☐ Companies with more than \$1 billion in annual sales

5. Nature of business of clients that your firm represents in its international law practice (please check all that apply)

- ☐ Manufacturers
- ☐ Distributors/Wholesalers
- ☐ Retailers
- ☐ Service Companies: Financial Service Providers
- ☐ Service Companies: Other (please describe)

6. Clients represented (please check all that apply)

- ☐ US-based individuals or businesses in international matters
- ☐ Foreign-based individuals or businesses in US legal matters

7. In which geographic areas does/has your firm handle(d) matters (please check all that apply)?

<input type="checkbox"/>	Canada
<input type="checkbox"/>	Mexico
<input type="checkbox"/>	Latin America (other than Mexico)
<input type="checkbox"/>	European Union
<input type="checkbox"/>	Middle East
<input type="checkbox"/>	Africa
<input type="checkbox"/>	Japan
<input type="checkbox"/>	China
<input type="checkbox"/>	India
<input type="checkbox"/>	Other Asia/Pacific Rim
<input type="checkbox"/>	Other (please specify)

8. How/why did your firm develop its focus in these geographic areas?

9. Some US accounting and consulting firms have become engaged in the practice of international law in some foreign countries. Do you believe that this development will affect your firm's international practice?

<input type="checkbox"/>	No
<input type="checkbox"/>	Yes
<input type="checkbox"/>	Why or why not?

10. Your forecast regarding the general trend of international law practice in Northeast Ohio (Not specific to your firm):

- ☐ Increasing
- ☐ Remaining the Same
- ☐ Decreasing
- ☐ Why?

11. What are the most significant developments/trends which you foresee over the next 3-5 years that are likely to impact the practice of international law in Cleveland?

12. How many law firms in Northeast Ohio do you believe are regularly engaged in the practice of international law matters?

Thank you for your help with this survey!